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HRI Food Service Sector

Annual

2004

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Report Highlights:
Hong Kong's HRI business receipts amounted to US$6.2 billion in 2003, representing a 10 percent decline compared to 2002. The decline was largely attributed to the devastating effect of SARS between February and July, 2003 and the overall sluggish economy. However, the economy has shown very encouraging signs of quick recovery starting in the later half of 2003. The HRI business is expected to experience single digit growth in 2004 based on the positive prospect of Hong Kong's economy and a burgeoning inbound tourism. However, U.S. exporters in the beef and poultry sector also face unprecedented challenges for the Hong Kong market since the market is currently closed to U.S. beef and poultry resulting from the BSE and avian influenza cases in the United States.

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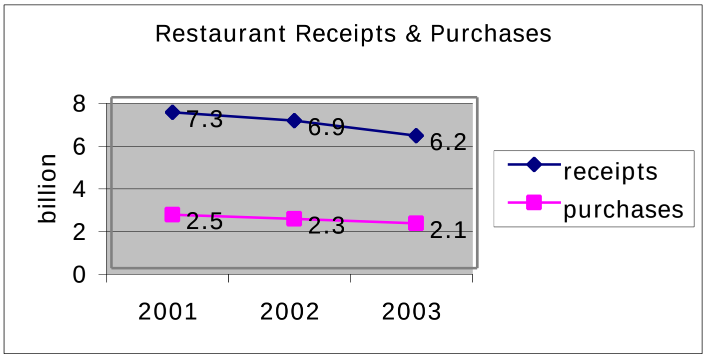
SECTION I. MARKET SUMMARY

HRI Food Service Sector

Restaurants

- In 2003, the value of total receipts for the restaurants sector was $6.2 billion and for purchases was $2.1 billion, representing a decline of 10 percent and 9 percent respectively when compared to 2002. The decline was mainly attributed to the slackened economy and the SARS impact from February to July 2003.



Source :Quarterly Restaurant Receipts and Purchases produced by the Hong Kong Census & Statistics Department

- The HRI business is expected to experience a single digit increase in 2004 due to the flourishing tourism and rebound economy, which will be discussed later.
- Hong Kong is renowned as the " Culinary Capital of Asia". It has approximately 11,342 restaurants and other eating-places, providing a wide range of dining options. Eating out is a way of life for many locals.
- Chinese food, in particular Cantonese style foods tend to dominate the restaurant sector. This is evident in that Chinese restaurants account for nearly 50 percent of the 11,342 restaurants in Hong Kong.

Table: Number of restaurants

	No. of Establishments
Chinese restaurants	5,566
Restaurants, other than Chinese restaurants	3,632
Fast food shops	1,093
Bars	493
Eating and drinking places	557
Total	11,342

Table: Number of establishments for various sales range : HK$'000 (US$1 = HK$7.78)

	<999	1,000 – 4,999	5,000 – 9,999	10,000 – 19,999	20,000 – 49,000	> 50,000
Chinese restaurants	1,426	2,679	889	144	321	111
Restaurants, other than Chinese restaurants	772	2,085	130	586	48	11
Fast food shops	246	418	66	323	32	8

- The 30's generation of local Chinese have a greater propensity toward western style foods and are more likely to experiment with non-traditional styles. The growth of western chains in fast food, coffee and snack and casual dining establishments has been evident.

- McDonald's, Dominos, Pizza Hut, Kentucky Fried Chicken, Hardee's, Oliver, Pret A Manger, Starbucks and others have all grown rapidly in numbers over the past years and now have become fixtures in the Hong Kong market. 2003 also witnessed the opening of California Pizza Kitchen (CPK) in Hong Kong.

- The fastest developing sector of the market is the fast food outlets. Fast food business have recorded strong growth providing budget alternatives for Hong Kong consumers during the economy downturn. Consumer sentiments have changed. Consumers are now more value conscious, and demand better "bang for the buck". This change in sentiment has forced the major fast food operators, Café De Coral, Maxim's and Fairwood, to innovate their menus by introducing numerous new ingredients, such as breaded chicken patties, premium juice drinks, etc. Café de Coral and Fairwood are also renovating their older restaurants and adding "cyber corners" to give them a more upscale look, in order to create more value in patrons' minds. The average spending in fast food outlets is HK$33.90 for dinner, HK$25.50 for HK$18.20 for breakfast and HK$16.60 for afternoon tea. (U.S.$1.00 = HK$7.78)

- In recent years when the economy has been sluggish, fast food chains are not only competing with each other within the sector but also with low-end restaurants. Restaurant diners have tightened their budgets. In response to a slow economy, low-end restaurants have already lowered the prices to a level comparable to high-end fast food chains. To lure more business, fast food chains such as Café De Coral and Fairwood started to provide delivery services, reflecting the keen competition of the food business.

- Another key feature of Hong Kong's HRI is the increasingly competitive coffee shop market in Hong Kong with new outlets opening around the city despite the economic downturn. While westerners will stand up and drink a coffee, Chinese people in the Hong Kong market want to sit down and take their time over their sandwich or cup of coffee. Starbucks and Pacific Coffee are Hong Kong's two largest coffee shop chains.

Hotels

- There are 88 hotels and 594 boarding houses in Hong Kong with approximately 37,000 rooms. The average occupancy rate is 84 percent.

- Out of the 88 hotels, the majority, 42 of which have sales over HK$100 million or US$12.9 million (sales refer to total receipts other than food). As for boarding houses, the majority or 316 have the total turnover between HK$100,000 and HK$499,000 or US$12,853 and US$64,139.

- Many five-star hotels serve exclusively U.S. beef, chicken, turkey, eggs, and a wide assortment of fruits and vegetables, which has clearly benefited the United States as a supplier.

- The government provides a searchable list of licensed Hotels & Guest Houses at www.info.gov.hk/had_la/. A list of Hong Kong hotels is available at http://www.discoverhongkong.com/eng/mustknow/search/mk_sear_resu.jsp

- The trend is that Hong Kong plans to build more hotels and boarding houses preparing for the opening of Disney in 2005 and the influx of tourists from Mainland China.

Institutions

- Institution categories of significance include schools, hospitals, and airlines.

- The institutional catering sector is predominantly handled by a small number of large groups who are generally aligned with the restaurant sector.

- The Hospital Authority operates 42 hospitals with a total of 29,500 beds and 1.2 million in-patients annually. The catering service is by tender.

- There are 375 whole day government primary schools with a total number of 24,000 students. School lunch boxes are commonly made available at schools for students. The typical lunch box consists of meat and rice. Healthy eating programs are underway to encourage a change in eating trends for schools. Caterers have to register with the Hong Kong Food and Environmental Hygiene Department (FEHD) before they are eligible to bid tenders provided by individual schools.

- ATO Hong Kong can provide U.S. exporters with the list of registered caterers for school lunch boxes.

- There are three aircraft catering franchisees at the Hong Kong International Airport, each with a 15-year term, supplying more than 58,000 in-flight meals per day. The aircraft caterers provide a comprehensive range of flight catering services. These services include the preparation and assembly of flight meals, loading and unloading of food and other catering loads onto aircraft, and the storage of catering equipment and supplies.

Economy

- Hong Kong has a per capita GDP that stands at $24,000. Real GDP grew by 4% in the third quarter of 2003, reverting the 0.5% decline in the second quarter caused by the SARS (Severe Aspiratory Syndrome) outbreak. The turnaround was underpinned by a revival of inbound tourism and the continued buoyant export trade. The official forecast of GDP growth for 2003 was revised upward to 3% in October, up from 2% in the August round.

- The seasonally adjusted unemployment rate fell from a historic high of 8.7% in the three months ended July 2003 to 7.3% in the three months ended December 2003.

- The Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) was concluded in late June 2003, granting duty-free access for most Hong Kong products to the mainland. CEPA also provides for additional market access of Hong Kong companies in the mainland for services industry, that will be conducted in phases. The agreement is expected to boost the Hong Kong economy.

- There is one provision under CEPA that serves as quick stimuli to Hong Kong's economy – the relaxation of travel policy restrictions for Mainland Chinese residents to Hong Kong. The new measure allows Mainland Chinese to visit Hong Kong individually. Without this new measure, Mainland residents visiting Hong Kong for sightseeing purpose have to join a tour group.

- Political and economic confidence in Hong Kong rebounded sharply starting in the third quarter of 2003. According to a recent survey, business activity in Hong Kong increased for the eighth consecutive month in January. Companies generally attributed the increase of economic activity to stronger global market conditions. (The survey data are derived from a representative panel of Hong Kong companies that supply monthly information on actual business levels.)

- Meanwhile, there has been a major turnaround of asset prices. Stock prices have rallied in recent months, with the Hang Seng Index tipping around 13,289 at the end of January 2004, an increase of 43.5 percent from the same period of 2003.

Demographics

- Hong Kong has a population of 6.82 million with an annual growth rate of 0.4 percent.

- 1.6 million women or 52.5 percent of the female population aged 15 or above participate in the workforce.

Imported Food vs. Domestic Products

- Due to limited land resources and rapid urbanization, Hong Kong has to rely heavily on imports for its food supply. Local production contributed only 5 percent of fresh vegetables, 24 percent of live poultry, and 28 percent of live pigs. However, Hong Kong's total imports of consumer-oriented products and fish & seafood products amounted to US$5 billion and US$1.8 billion respectively in 2003. Though 29 percent of consumer-oriented products and 21 percent of seafood products were re-exported, a total of US$4,959 million worth of these imported products were retained in Hong Kong for local consumption.

- Hong Kong is an important market for consumer-oriented American foods and ranks number five as a U.S. export destination for these products. Hong Kong imported over US$1 billion of consumer-oriented products from the United States in 2003 accounting for 21 percent of the import market share.

Tourism

- There has been a swift revival of inbound tourism from the SARS pitfall. Tourist arrivals picked up by 5.8 percent in the second half of 2003, although for the whole year, the number of visitors fell by 6.2 percent to 15.5 million. The upturn in tourist arrivals was mainly attributable to mainland visitors, who accounted for more than half of the number of all inbound tourists.

- Tourist traffic to Hong Kong in 2004 is expected to bounce back dramatically to reach 20.5 million – up 32 percent from 2003, according to Tourism Board. The number of Mainland visitors is expected to grow by 31.7 percent to 11.2 million.

- Tourists accounted for approximately 16 percent of the HRI businesses.

- With the Hong Kong government's focus on the tourist industry and the opening of Disney Land in Hong Kong in 2005, the future looks bright.

Import Regulations

- Food products can be imported to Hong Kong duty free except cigarettes and alcoholic drinks. As for technical import requirements, the basic tenet is that no food intended for sale should be unfit for human consumption. Products which require import permits/health certificates include meat, milk and frozen confections. The Hong Kong government accepts import applications from Hong Kong importers. In other words, local importers and not U.S. exporters are required to apply for import permits. U.S. exporters need to supply their agents/importers with necessary documentation such as health certificates from the U.S. government. Details refer to Gain Report #3024.

- At present, there is no labeling requirement for biotech foods. The Hong Kong government is considering adopting voluntary labeling and pre-market safety assessment for biotech foods but has set no timetable for implementation.

- The Hong Kong government also intends to implement a mandatory nutrition labeling system, which will start to run on a voluntary basis for a period of five to ten years. According to the proposal, all prepackaged foods will eventually be subject to nutrition labeling. Details refer to Gain Report #3040. Drafting of the regulation has not yet started.

Healthy Eating

- There is tendency for Hong Kong diners to eat fresh foods rather than processed, chilled, frozen etc. This is particularly the case for fish and to a lesser degree with other meats. U.S. companies should consider this in their marketing strategy.

- Hong Kong consumers have become increasingly aware of food safety and nutrition. These issues have been used successfully as marketing points for various food commodities and specific products.

- Organically grown foods have gained some interest but a lack of standards and consumer awareness in this area usually makes the higher price difficult to justify.

Internet

Several internet sites are operated in Hong Kong that support the restaurant sector. These include guides to find restaurants as well as on-line order and delivery facilities. Sites include:

Food Easy	http://www.foodeasy.com/
Hong Kong Eats	http://www.hkeats.com/

Advantages	Challenges
World's freest economy (Economic Freedom of the World, 2003 Annual Report, published by the Cato Institute of the United States in conjunction with the Fraser Institute of Canada and some 50 other research institutes around the world). Consistent free trade and free enterprise policies. No import duty except on wine, liquor, cigarettes, hydrocarbon oils and methyl alcohol. Separate customs territory from Mainland China. No foreign exchange controls.	Severe competition between different supplying countries.
H.K. dollar pegged to the U.S. dollar, so U.S. products are not subject to price fluctuations based on exchange rates. (Can be a disadvantage when U.S. dollar is strong. Then products from other supplying countries become more price competitive compared to U.S. products.)	A very price sensitive market; importers' buying decisions depend largely on price.
Foreign and local businesses operate on a level playing field.	U.S. products are disadvantaged by a higher transport cost when compared with Australian and Chinese products.
As one of the most affluent economies in Asia, a market leader for new products.	Lack of trader and consumer awareness of U.S. foods. Traditional preference for European foods, due to previous ties with the U.K.
International city; residents travel frequently and are receptive to western and novel food.	
Sophisticated, reliable banking system.	
Consistent import regulations and rule of law.	

SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

If U.S. restaurant chains or caterers want to establish a foothold in Hong Kong, they are allowed to incorporate freely. However, there are two market entry channels that U.S. companies may consider in their attempt to establish a presence in Hong Kong's HRI sector.

Franchising

- The concept of franchising has been catching in Hong Kong for the past decade. The number of franchise operations in Hong Kong grew from 52 in 1992, to 130 in 2003. Nearly 80 percent of the franchise operations in Hong Kong are of U.S. origin. Home-grown franchises have also developed, especially in catering.

Joint Ventures

- Joint ventures or strategic alliances can be very helpful in entering the market, and are particularly important in competing for major catering projects.

Entering the Hong Kong market with products suitable for the HRI trade can be handled in a number of ways. Certainly the end customer, the hotel, restaurant, institution or caterer has an influence on the selection of products or ingredients but the choice is all very much guided by a network of reliable and trusted suppliers.

Setting up a representative office

- To set up a representative office in Hong Kong is one of the most effective means that U.S. companies can use to sell their products to this market, but it is very costly.

Through agents

- U.S. exporters may consider hiring a local agent. A key consideration is whether the prospective agent has a good marketing record and widespread distribution network. The advantage of having an agent is that it can help with marketing and distribution. Some companies may secure a very competitive price package with TV/magazine/radio for advertisements. In addition, well-established companies have extensive distribution networks not limited to the HRI sector but also to retail outlets.

- Importers and distributors tend to focus on specific categories of products and end markets. Research should be carried out to ensure the importer distributor selected is appropriate for your products.

Very few hotels, restaurants or institutions import directly.

Marketing Strategies

- Identify key players for the product/s - ATO Hong Kong can assist with identifying and introducing potential stakeholders from end consumers to importer/distributors, commodity cooperators and regional business groups.

- Determine suitability to market - some western foods are considered unsuitable for the taste preferences of Hong Kong consumers. Market testing maybe required prior to establishing a presence in the market. For more information, refer to GAIN Report #HK0056, "Hong Kong, Market Development Reports, Consumer Preferences for Western Foods in Hong Kong, 2000" www.fas.usda.gov/gainfiles/200009/30678162.pdf

- Communicate product benefits to end-users - although distributors maintain the relationships with their customers, the end users assert influence over the buying decisions. It is important to directly educate all stakeholders as to the features and benefits of your products.

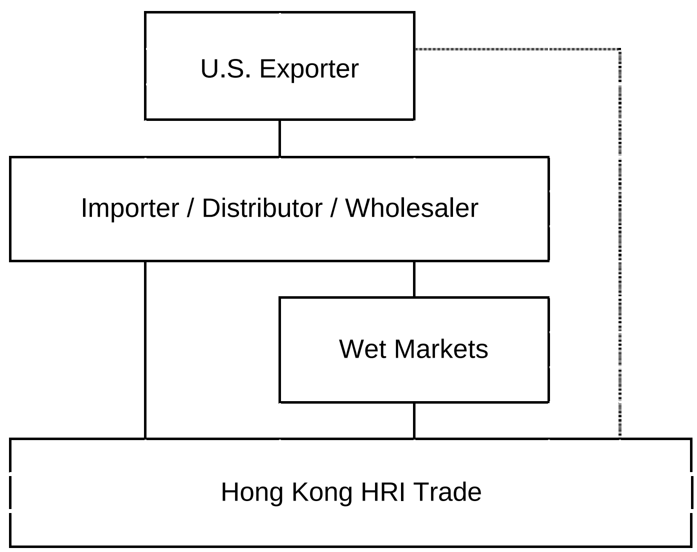
- Participate in trade shows - Hong Kong has an excellent reputation of hosting international trade shows. Hofex and Restaurant & Bar are the most appropriate for vendors selling to the HRI industry in Hong Kong. In cooperation with cooperators and regional groups, the show will demonstrate the versatility and safety of U.S. food products. FAS trade show calendar is available at www.fas.usda.gov/Trade_Show_Calendar_2003.pdf

HOFEX	www.hofex.com	May 10 –13, 2005
Restaurant & Bar	www.restaurantandbarhk.com	Oct 5 – 7, 2004

- Stage menu promotions with major restaurant chains - Menu promotion dollars will be maximized if spent on promotion events held with the major restaurant chains. With the restaurant chains' announced intention to have an image overhaul, this provides for an opportunity to introduce new U.S. foods.

- Invite restaurant owners/chefs to seminars and/or to the United States - ATO Hong Kong/ cooperators organize seminars and trade missions to the United States with an intention to introduce U.S. products, meet U.S. exporters, and experience U.S. store formats.

Market Structure



- The market structure for Hong Kong typically involves a dedicated importer / distributor who deals with the U.S. exporter and maintains relationships with local resellers. Some special items are imported directly by large hotels, restaurant chains and institutions but most tend to outsource the import burden.

- Hong Kong is a mature trading port and as such has developed an effective network of importers, distributors and wholesalers that support the HRI trade.

- Most major importer / distributor service multiple reseller sectors including HRI / food service, retail and wet markets.

- ATO Hong Kong has a resourceful database of Hong Kong importers servicing the HRI trade. For information regarding specific category suppliers, the ATO Hong Kong can provide additional information.

Sub-Sector Profiles

Hotels and Resorts

A list of hotels is available at
http://www.discoverhongkong.com/eng/mustknow/search/mk_sear_resu.jsp

Restaurants

A list of restaurants is available at
http://www.discoverhongkong.com/eng/gourmet/search/gp_sear_resu.jsp

A selection of restaurants

Company Name	Type of Food	Number of Outlets
Starbucks	Coffee & snacks	47 (35 in 2002)
McDonalds	Fast Food - Burgers	215
Maxims	Chinese Restaurants / Chinese fast food / lunch boxes	306
Café de Coral	Chinese fast food / lunch boxes	120
Deli France	Bakery, Fast Food Sandwiches	42 (28 in 2002)
Pacific Coffee	Coffee & Snacks	36 (31 in 2002)
Pizza Hut	Pizza, local menu	59
Outback Steakhouse	Australian / American style Steak House	3
Ruth's Chris Steakhouse	American Style Steak House	2
KFC	Fast Food - Chicken	47
TGI Fridays	American Style dining	1
Jollibee's	Fast Food, burgers, fries & rice based meals	3
Banana Leaf Holdings	Fast Foods, Malaysian, Thai	5 + Banana Leaf Catering
Tony Roma's	American Style dining	2
Dan Ryan's	American Style dining	3
Hard Rock Café	American Style dining	1
Hardee's	Fast Food - burgers, fries	13

Olivers Super Sandwich	Fast Food Sandwiches / Salads	11
Pret a Manger	Fast Food Sandwiches / Salads	5
The Mix	California Smoothies & Wraps	4
Ruby Tuesday's	American Style dining	3
Epicurean	International	13
Kenny Rogers Roasters	American style - chicken	2
Harilela Group	International	7
Elite Concepts	International	9
California Pizza Kitchen	American style pizza	1
Eclipse Management	International	6
Red Ant	Chinese	6
Igor's Group	International	4
Fairwood	Chinese Fast food	67 (40 in 2002)

Institutions

- Hong Kong has 42 public hospitals and about 17 private hospitals. A full list can be obtained from the following website : www.ha.org.hk

Type of Schools	No. of Schools
Primary Education	815
Secondary Education	496
Higher Education	18

- More school information can be obtained from the following website: http://www.emb.gov.hk/index.asp

- Cathay Pacific Catering – One of three companies with a 15-year lease at the Hong Kong International Airport, Cathay Pacific Catering is a subsidiary of Cathay Pacific Airways. CPC invested HK$1.6 billion to build a 50,400 sq.m. flight kitchen, which was designed to operate with an initial daily meal throughput of 55,000 meals, to be expanded to 80,000 meals per day.

SECTION III. COMPETITION

Note : 2003 statistics; Market share based on Value

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Breakfast Cereals & Pancake Mix Imports 27 million 11,159 MT Retained Imports 8,630 MT	1. U.S. – 36% 2. China – 33% 3. Thailand – 10%	Though China is the second largest supplier, imports include some international brands, which have manufacturing establishments in China.	Local production is insignificant.
Red Meats, chilled/frozen Imports $731 million 589,481MT Retained Imports 259,289 MT	1. Brazil – 23% 2. U.S. – 21% 3. China – 18%	Products from Brazil and China are price competitive, but they are of different market segments from U.S. products. U.S. beef is largely on the high-end market. Note: Hong Kong currently bans U.S. beef imports because of BSE.	Local production is largely on freshly slaughtered meats.
Red Meats, Prepared/preserved Imports $ 194 million 105,628 MT Retained Imports 84,519 MT	1. China – 54% 2. U.S. – 16% 3. Thailand – 10%	China supplies dominate the market because there is a big demand for price competitive prepared/preserved meatballs and other products typical in Chinese dishes in Chinese restaurants and processing in China is cost effective. Note: U.S. beef products are banned because of BSE.	Local production is insignificant.

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Poultry Imports $641 million 798,051 MT Retained Imports 229,494 MT	1. U.S. - 42% 2. Brazil - 23% 3. China – 14 %	U.S. products dominated the market in 2003 because of abundant supplies and a wide variety of grades. Hong Kong government banned U.S. poultry imports since Feb. 2004 because of avian influenza cases . This measure severely impacts U.S. poultry imports to Hong Kong. Brazilian products though are popular but are relatively less in supplies.	Local production is on freshly slaughtered meats.
Dairy Products Imports $242million 149,900MT Retained Imports 135,513 MT	1. Netherlands – 21% 2. China - 15% 3. Singapore –12% U.S. – 4%	Netherlands is strong in dairy product supplies and its position has been well established in Hong Kong.	Local companies supply fresh milk drinks, which are processed in Hong Kong with milk originated from farmlands in the southern part of China. Local companies can easily fulfill local milk registration requirements.
Eggs Imports $58 million 1,549 million eggs Retained Imports 1,548 million eggs	1. China – 66% 2. U.S. - 19% 3. Thailand – 9%	China does not export eggs to Hong Kong in early 2004 because of the avian influenza outbreaks there. Demand for U.S. eggs surges. Otherwise, eggs from China are of good quality and price competitive. U.S. dominates the white egg markets. German eggs are considered of very high quality but relatively expensive.	Local production is insignificant.

Product Category	**Major Supply Sources**	**Strengths of Key Supply Countries**	**Advantages and Disadvantages of Local Suppliers**
Fresh Fruit Imports $736 million 989,359 MT Retained Imports 606,593 MT	1. U.S. – 32% 2. Thailand – 14% 3. Australia – 10%	U.S. fresh fruits are highly regarded as having good quality. Thai and Australian Trade commissions in Hong Kong aggressively sponsor trade promotion activities.	No local production.
Fresh Vegetables Imports $156 million 584,528 MT Retained Imports 577,258 MT	1. China – 73% 2. U.S. – 7% 3. Australia – 7%	Products from China are very price competitive. Due to expensive operation costs in Hong Kong, some farmers in Hong Kong move their operations to China and sell their products back to Hong Kong. Australian products are advantaged over American products because of shorter freight time and lower transportation cost. High-end restaurants and five-star hotels prefer to use high quality U.S. products	Local production is about 5 percent of total demand. Production costs, both in terms of land and labor, in Hong Kong are high.
Processed Fruit & Vegetables Imports $237 million 199,526 MT Retained Imports 154,151 MT	1. China - 36% 2. U.S. – 25% 3. Thailand – 25%	Supplies from China are price competitive. Besides, some international brands have operations in China and their exports to Hong Kong are considered as imports from China. Products from the U.S. are more for the high-end market.	Local production is insignificant.

Product Category	**Major Supply Sources**	**Strengths of Key Supply Countries**	**Advantages and Disadvantages of Local Suppliers**
Wine & Beer Imports $132 million 132,154,106 liter Retained Imports 126,201,253 liter	1. France – 24% 2. China – 15% 3. Korea – 12% U.S. – 11%	China and Korea are major suppliers for beer while France is the major supplier for wine. French wine is highly regarded in Hong Kong though expensive. Hong Kong people are not very familiar with California wine. Beer & liquor with less than 30% alcohol is subject to 40% tax and wine 80%.	Hong Kong does not have any wine production. San Miguel is a popular local brand for beer. Locally produced beer is subject to the same tax rate as imports.

Source :World Trade Atlas

SECTION IV. BEST PRODUCT PROSPECTS

A: Products Present in the Market Which Have Good Sales Potential

Note :

1 Hong Kong food supplies largely rely on imports. Domestic production is very minimal so the market size in the following table is equal to retained imports without taking into account local production.

2 Import tariff rate for all products in the table is zero.

Product Category	**2003 Total Imports**	**2003 Retained Imports**	**1999 – 2003 Average Annual Retained Import Growth**	**Key Constraints Over Market Development**	**Market Attractiveness For USA**
Oranges	211,018 MT	153,721 MT	4.4%	Strong competition from Brazil and other fruits	Consumers' recognition of U.S. origin and quality
Grapes	88,575 MT	26,226 MT	-15 %	Strong competition from Chile & Australia	U.S. being the largest supplier; competitors supplying in different seasons

Product Category	2003 Total Imports	2003 Retained Imports	1999 – 2003 Average Annual Retained Import Growth	Key Constraints Over Market Development	Market Attractiveness For USA
Apples	134,085 MT	88,155 MT	-3.7%	Apples from China are very price competitive and their quality has improved.	U.S. remaining as the largest supplier and apples being one of the most popular fruits in Hong Kong
French Fries	23,892 MT	18,642 MT	18%	HRI being hampered by economy downturn in the past few years. Business is expected to pick up in 2004.	U.S. accounting for 93 percent of the market share; products well-received by trade
Sauces	86,797 MT	65,695 MT	8.2%	China and Thailand are two major competitors. The oriental favor of sauces from these countries is a distinct advantage.	Hong Kong people are receptive to new tastes. The availability of much international cuisine offers a demand for U.S. sauces.
Soup	16,990 MT	15,594 MT	0.6%	HRI being hampered by economy downturn in the past few years. Business is expected to pick up in 2004.	The U.S. occupied about 73 percent of the import market share. U.S. products are highly regarded.

Product Category	2003 Total Imports	2003 Retained Imports	1999 – 2003 Average Annual Retained Import Growth	Key Constraints Over Market Development	Market Attractiveness For USA
Fresh Vegetables	584,528 MT	577,258 MT	32%	Abundant supplies of fresh vegetables from mainland China. Prices are very competitive. U.S. products are competing with those from Australia and New Zealand.	A bourgeoning tourist industry and availability of many high-end restaurants lead to a constant demand for quality U.S. fresh vegetables supplies.

Source: World Trade Atlas

B. Products Not Present in Significant Quantities but Which Have Good Sales Potential

Product Category	2003 Total Imports	2003 Retained Imports	1999 – 2003 Average Annual Retained Import Growth	Key Constraints Over Market Development	Market Attractiveness For USA
Eggs	1,549 million	1,548 million	2.3%	Growing competition from China and Thailand.	HRI has a high demand for U.S. white eggs. China has suspended its export of eggs to China due to Avian Influenza, thus boosting demand for U.S. eggs.

Product Category	**2003 Total Imports**	**2003 Retained Imports**	**1999 – 2003 Average Annual Retained Import Growth**	**Key Constraints Over Market Development**	**Market Attractiveness For USA**
Beer	120,921,868 liter	116,001,880 liter	4.6%	Consumers of beer tend to have brand loyalty and Hong Kong consumers are not very familiar with U.S. brands. Duty for beer is 40%.	Hong Kong people like beer and there are many bars and restaurants in Hong Kong.
Processed Sweet Corn	18,218 MT	16,748 MT	8%	HRI being hampered by economy downturn in the past few years. Business is expected to pick up in 2004.	U.S. accounting for 88 percent of the market share; products well-received by trade.
Ice Cream	6,305 MT	6,017 MT	-0.5%	Expensive to launch marketing programs for new brands.	Great demand for ice cream products; consumers willing to pay for premium products.
Molluscs	56,061 MT	40,996 MT	5.6%	Competition severe from Hong Kong's neighboring countries; Molluscs including a variety of products such as scallop, oyster, abalone, etc. Japan being the largest supplier for dried scallop and Australia for abalone.	Strong demand for seafood in Hong Kong; U.S. oysters highly regarded; however, the overall U.S. market share in molluscs market being small; room for market expansion present.

C. Products Not Present Because They Face Significant Barriers

Hong Kong has suspended U.S. beef imports, including raw and cooked beef products, since December 24, 2003 because of the BSE case in the United States.

Hong Kong has suspended poultry imports from Delaware effective February 8, and from the entire United States effective February 11, 2004 because of avian influenza cases there.

Details refer to gain reports HK3042, 4004, 4005.

SECTION V. POST CONTACT AND FURTHER INFORMATION

Foreign Agricultural Service (FAS)
Home Page: http://www.fas.usda.gov

Agricultural Trade Office
of the American Consulate General - Hong Kong
18 A, 33 Garden Road, Central, Hong Kong
Tel: (852) 2841-2350
Fax: (852) 2845-0943
E-mail: ATOHongKong@fas.usda.gov
Home Page: http://www.USfoods-hongkong.net *OR* http://www.usconsulate.gov

(Food safety control policy)
Food & Environmental Hygiene Department
Food and Public Health Branch
43rd floor, Queensway Government Offices
66 Queensway
Hong Kong
Tel: (852) 2867-5511
Fax: (852) 2893-3547
E-mail: enquiries@fehd.gov.hk
Home Page: http://www.fehd.gov.hk

(Importation of plants & live animals)
Agriculture, Fisheries and Conservation Department
5th to 8th floors, Cheung Sha Wan Government Offices
303 Cheung Sha Wan Road
Kowloon
Hong Kong
Tel: (852) 2708-8885
Fax: (852) 2311-3731
E-Mail: mailbox@afcd.gov.hk
Home Page: http://www.info.gov.hk/afcd

(Trade Statistics)
Census and Statistics Department
16th -22nd and 25th floors, Wanchai Tower,
12 Harbor Road, Wan Chai, Hong Kong
Tel: (852) 2582-4807
Fax: (852) 2802-4000
E-mail: fax-stat@censtatd.gov.hk
Home Page: http://www.info.gov.hk/censtatd

(License for imported dutiable commodities)
Hong Kong Customs & Excise Department
Office of Dutiable Commodities Administration
6-9th floors, Harbor Building, 38 Pier Road, Central, Hong Kong
Tel: (852) 2815-7711
Fax: (852) 2542-3334
E-mail: customsenquiry@customs.gov.hk
Home Page: http://www.info.gov.hk/customs

(Hong Kong companies registration)
Companies Registry
12th-15th, 17th and 29th floors,
Queensway Government Offices, 66 Queensway,
Hong Kong
Tel: (852) 2234-9933
Fax: (852) 2869-6817
E-mail: crenq@cr.gov.hk
Home Page: http://www.info.gov.hk/cr

(Trade Promotion and Hong Kong Information)
Hong Kong Trade Development Council
38th Floor, Office Tower, Convention Plaza, 1 Harbor Road, Wan Chai, Hong Kong
Tel: (852) 2584-4188
Fax: (852) 2824-0249
E-mail: hktdc@tdc.org.hk
Home Page: http://www.tdctrade.com

(Hong Kong Travel Information)
Hong Kong Tourist Association
9th - 11th floors, Citicorp Center, 18 Whitfield Road, North Point, Hong Kong
Tel: (852) 2807-6543
Fax: (852) 2806-0303
E-mail: info@hkta.org
Home Page: www.hkta.org

Hong Kong Franchise Association
Home Page : www.franchise.org.hk

Hong Kong Hospital Authority
Home Page : www.ha.org.hk